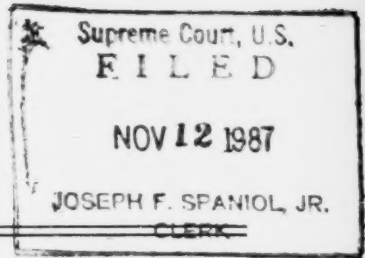


87 - 778 (1)



No. \_\_\_\_\_

IN THE  
**Supreme Court of the United States**

\_\_\_\_\_  
October Term, 1987  
\_\_\_\_\_

MGA, INC.,

*Petitioner,*

vs.

GENERAL MOTORS CORPORATION &  
LASALLE MACHINE TOOL COMPANY, INC.,

*Respondents.*

\_\_\_\_\_  
**PETITION FOR WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**  
\_\_\_\_\_

JOHN R. BENEFIEL  
360 Birmingham Place  
401 South Woodward Avenue  
Birmingham, Michigan 48011-1621  
Telephone: (313) 644-1455

*Attorney for Petitioner*

3984







i.

**Questions Presented**

1. If the prior Michigan State Court judgments were arbitrary as not based on the evidence or the applicable legal principles, should they nonetheless be given preclusive effect in this action under 28 USC §1738, if the minimum procedural requirements of the Fourteenth Amendment were satisfied in the hearings preceding the judgments?

2. Did the court below properly extend the Michigan law of judgments to encompass its own interpretation of federal law on the issue of collateral estoppel?

3. Does the holding of this Court in *Kessler v. Eldred* establish a federal principle of collateral estoppel necessitating giving preclusive effect to the prior Michigan judgments?



ii.

**Rule 28.1 List**

Petitioner MGA, INC. has no parent companies, subsidiaries, or affiliates to list pursuant to Rule 28.1.



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October Term, 1987

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No. \_\_\_\_\_

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*Petitioner,*

vs.

GENERAL MOTORS CORPORATION &  
LASALLE MACHINE TOOL COMPANY, INC.,

*Respondents.*

---

## PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

### Opinions Below

The opinion of the Michigan Circuit Court is not reported and is reprinted as Appendix A at page 1a.

The decision of the Michigan Court of Appeals is reported at 304 N.W. 2d 159, and reprinted as Appendix B at page 4a.

The opinion of the Michigan Supreme Court is reprinted as Appendix C at page 18a.

The memorandum decision of the United States District Court for the Eastern District of Michigan has not been reported, and pertinent excerpts are reprinted as Appendix D at page 19a.

The opinion of the Court of Appeals for the Federal Circuit is reported at 13 USPQ 2d 1762, and is reprinted as Appendix E at page 22a.



### **Jurisdiction**

Petitioner filed this action for patent infringement against respondent General Motors Corporation, invoking federal jurisdiction under 28 USC §1338. Respondent LaSalle Machine Tool Co., Inc., later intervened.

The District Court granted respondent LaSalle's motion for Summary Judgment, dismissing the complaint, from which judgment Petitioner appealed to the U.S. Court of Appeals for the Federal Circuit.

That Court entered judgment on August 13, 1987 affirming the District Court. No timely petition for rehearing was filed.

The jurisdiction of this Court to review the judgment of the Federal Circuit is invoked under 28 USC §1254 (1).



### Statement of the Case

Petitioner MGA, INC. and respondent LaSalle Machine Tool, Inc. entered into a patent license agreement effective January 1, 1979, under which LaSalle was to pay royalties on machines covered by any of the claims of the licensed patents which were sold by LaSalle.

In 1981 LaSalle began to sell machines which it asserted were outside the scope of the license, and on April 14, 1981 petitioner MGA filed suit in the Oakland County Circuit Court for the State of Michigan asserting a claim for breach of the license agreement.

The Michigan action was bench tried in June of 1984, and the court issued a decision that no breach of the license had occurred. That court issued a three page memorandum opinion (Appendix A at page 1a) in which no reference to the patent claims was set out in support of its holding, and which specifically dismissed any need to consider any of various enumerated patent law principles, including the doctrine of equivalents and file wrapper estoppel, the court simply stating that it did not feel the machines were the same as those covered by the license.

MGA appealed to the Michigan Court of Appeals, which upheld the trial court in a decision rendered in January of 1986 (*MGA, Inc. v. LaSalle Machine Tool, Inc.*, 148 MICH App. 350, 384 NW 2d 159 (1986)), Appendix B at page 4a.

That decision was purportedly based in large part on an interpretation of the complicated file history of the licensed patent at issue. After that decision was rendered, petitioner was shocked to discover that due to an oversight in the Michigan Circuit Court clerk's office, the trial exhibits including the file history documents, had not been transmitted to the Court of Appeals and



were not in fact before that Court when it made its decision.

MGA petitioned the Michigan Supreme Court for leave to appeal, but this was denied, 426 Mich-871 (1986) the Court stating that it was not persuaded that the questions presented should be reviewed by that Court (Appendix C at page 18a).

MGA had in 1983 filed the present patent infringement suit against respondent GM for its use of allegedly infringing machines, including a number of machines purchased from LaSalle.

The issues in this case ultimately were reduced to involve only the machines purchased from LaSalle, and respondent LaSalle brought a motion for summary judgment based on the prior Michigan decisions, and also on the holding of this Court in *Kessler v. Eldred*, discussed herein.

MGA defended the motion on the basis that the prior Michigan decisions were arbitrary and violated substantive due process since the decisions were not based on the applicable legal principles nor on the evidence presented; and, that the lack of understanding of the patent law principles by the rendering courts made it unfair to give them preclusive effect under *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 US 313 (1971), at p. 313.

The U.S. District Court granted respondent's motion, but contrary to the statement in the opinion of the Federal Circuit, this ruling was not based on its giving preclusive effect to either the prior Michigan decisions or on *Kessler v. Eldred*, but rather on a logical conclusion that there could be no infringement that the District Court saw as flowing from the fact that MGA had



granted LaSalle a license. That is, that either the use of the licensed machines was impliedly licensed or the machines were not within the patent claims.

The Court of Appeals for the Federal Circuit affirmed the holding below, by giving preclusive effect to the Michigan judgments. The Federal Circuit admitted that the holding of this Court in *Marrese v. American Academy of Orthopaedic Surgery*, 470 US 373, 105 S. Ct. 1327 (1985) held that Michigan law is controlling in determining whether the prior Michigan judgments should be given preclusive effect.

The Federal Circuit further acknowledged that Michigan continues to require mutuality of estoppel, absent in the present case since GM was not bound by the prior decisions.

However, as an interpretation of Michigan law, the court below held that the Michigan Courts would recognize the federal law it found set out in *Kessler v. Eldred*, 206 US 285 (1907), either as point of federal substantive patent law, or as an exception to the mutuality rule.

The Federal Circuit further held that since no procedural defect was alleged in the earlier proceedings, no Constitutional due process infirmity was present justifying not giving full faith and credit to the Michigan judgments, stated as being a precondition in *Kremer v. Chemical Construction Corp.*, 456 US 461 (1982).

The Federal Circuit chose to characterize Petitioner's attack on the Michigan judgments as collateral as a mere assertion of error in analysis by the Michigan Courts. However, as noted, Petitioner to the contrary attacks those judgments as arbitrary and sham, as not based on the evidence or the applicable legal principles.



## REASONS FOR GRANTING THE WRIT

I. The Federal Circuit's narrow reading of the constitutional requirements of due process as limited to procedural defects conflicts fundamentally with earlier decisions of this Court.

Petitioner attacks the earlier Michigan decisions as being arbitrary. The Michigan Circuit Court decision on its face was made in total disregard of the applicable principles of patent law, *i.e.*, no claim analysis was undertaken, and the basic concepts of file wrapper estoppel, the doctrine of equivalents, etc. were dismissed as irrelevant. Thus, that decision was essentially arbitrary.

The Michigan Court of Appeals decision was made without an actual consideration of the evidence, *i.e.*, the trial court exhibits of the file histories, while purportedly based on the Court's own interpretation of such evidence; and an arbitrary interpretation of the lower court opinion was manifestly made in reaching its conclusion. This decision was essentially a sham.

The Federal Circuit, in its decision, limited the requirements of the Due Process Clause to a defect in the procedures at the hearings from which the judgments arose. Clearly this is an unduly limiting, fundamentally erroneous view of those requirements.

In *Oregon RR & N. Co. v. Fairchild*, 224 US 510 (1911), this Court stated that:

"... the guaranty of the Constitution extends to the protection of fundamental rights, to the substance of the order, as well as the notice and hearing which precede it."

Also pertinent is this Court's statement in *The Chicago Junction Case*, *Baltimore & Ohio R. Co. v. United States*, 264 US 258 (1924) at page 265:




"The provision for a hearing implies both the privilege of introducing evidence and the duty of deciding in accordance with it. To refuse to consider evidence introduced or to make an essential finding without supporting evidence is arbitrary action."

This Court in *Kremer v. Chemical Construction Corp.*, 456 US 461 (1982) did appear to focus on procedural fairness as a requirement in giving preclusive effect to an earlier state court judgment. However, procedural fairness was at issue in that case, and substantive due process is an inherent requirement as stated in the earlier cases of this Court quoted above. It is not believed that this Court intended in *Kremer* to abrogate the requirement for substantive fairness.

Furthermore, in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 US 313 (1971) the Court stated that if the opinions filed in the earlier cases revealed a complete failure of the deciding Courts to grasp the issues, that this would constitute a lack of a full and fair opportunity to litigate. This, even if no procedural defect existed in the hearings.

Here, Petitioner should be allowed to demonstrate, that despite procedural fairness in the hearings preceding the Michigan judgments, that the decisions were essentially arbitrary. And, that those prior judgments are not to be given preclusive effect here.

The point that due process requires both procedural and substantive fairness is unclear from the earlier decision of this Court in *Kremer*, and involving a constitutional principle of great importance, is urged to be here worthy of this Court's attention.





II. The Federal Circuit decision in effect improperly applied its own version of federal law as to the preclusive effect to be given the Michigan judgments, contrary to the holding of this Court in *Marrese v. American Academy of Orthopaedic Surgeons*.

The District court made no findings as to Michigan Law concerning the preclusive effect to be given the prior Michigan judgment in this action. As found by the Federal Circuit, Michigan has not abrogated the requirement of mutuality of estoppel, although long recognizing the usual exceptions, particularly in defensive assertions of collateral estoppel. *Howell v. Vito's Trucking and Excavating Co.*, 191 NW 2d 313 (1971).

The Federal Circuit, however in fashioning what then Chief Justice Burger would undoubtedly have characterized a "creative interpretation" of state law (See Chief Justice Burger's concurring opinion in *Marrese v. American Academy of Orthopaedic Surgeons*, 470 US 373, 105 S. C. 1327 (1985), at p. 1335, held that Michigan would recognize the federal patent law principle, or mutuality exception it found set out in *Kessler v. Eldred*, 206 US 285 (1907).

It is respectfully submitted that the Federal Circuit in effect has adopted the proposed rule set out by Chief Justice Burger, *i.e.*, to apply a federal rule of issue preclusion based on an evaluation of whether there was a "full and fair opportunity to litigate" in the first instance.

This finding is not warranted by the Michigan cases. Michigan law continues to require mutuality as a precondition for the application of collateral estoppel, subject to exceptions not found on the admitted facts. These exceptions clearly do not



establish a broad principle abolishing the mutuality requirement for defensive pleading, and the Federal Circuit's assertion to the contrary in effect is a side stepping of Michigan law and this Court's holding in *Marrese*.

Furthermore, even under the Federal Circuit's logic, Michigan law is to the contrary since the U.S. Court of Appeals for the Sixth Circuit's interpretation of *Kessler* is diametrically opposed to the Federal Circuit's interpretation.

In *Wenborne-Karpen Dryer Co. v. Dort Motor Car Co.*, 14 F2d 378 (CA 6 1926), the Sixth Circuit construed *Kessler* as not creating a general federal rule of estoppel precluding a second suit against a user of machines found not to infringe in a first action. Rather, the Court in *Wenborne* narrowly construed *Kessler* (as well as *Rubber Tire Wheel Co. v. Goodyear Tire and Rubber Co.*, 232 US 413 (1914) cited in the Federal Circuit opinion) as not abrogating the requirement of mutuality in applying collateral estoppel.

The *Wenborne* case involved use of a machine in Flint, Michigan, and the Michigan courts consider themselves bound by the decisions of the Sixth Circuit as to issues of federal law, *Ogletree v. Local 79, Service Employees International Union, AFL-CIO*, 368 NW 2d 882 (Mich Court of Appeals 1985).

To allow the decision of the Federal Circuit to stand would seriously erode the holding in *Marrese*, and allow the courts to give preclusive effect to state court judgments as to later actions in federal court on federal claims, even though state law would not allow such a result. \_



III. A conflict in the circuits court of appeals exists as to the interpretation to be given *Kessler v. Eldred*.

As developed above, there have been varying interpretations given this Court's decision in *Kessler v. Eldred*, 206 US 285 (1907) in the different circuits over the years since that decision was rendered.

A line of cases including *General Chemical Co. v. Standard Wholesale Phosphate & Acid Works, Inc.*, 101 F2d 178 (CA4 1939); *Molinaro v. American Telegraph & Telephone Co.*, 460 F Supp 673 (ED PA 1978); and *A.C. Aukerman Co. v. Jasper Const. Co.*, 615 FS 133 (N.D. Georgia 1985), have construed *Kessler* as creating a federal law of collateral estoppel in the context of patent infringement litigation.

*Kessler v. Eldred* involved a bill in equity brought by a manufacturer Kessler to enjoin a patent infringement action brought against a customer Breitwieser by Eldred the patentee. Under the circumstances of that case, the Court upheld the issuance of an injunction against prosecution of the infringement action based on earlier litigation between Kessler and Eldred. The Court specifically stated that:

"It may be that the [earlier] judgment in *Kessler v. Eldred* will not afford Breitwieser, a customer of Kessler, a defense to Eldred's suit against him."

In the above cases, the holding in *Kessler* has been elevated to a defense in the customer suit without any basis in the language of *Kessler* itself.

The holding in the Sixth Circuit in *Wenborne-Karpen Dryer Co. v. Dort Motor Car Co.*, 14 F2d 378 (CA 6 1926) is clearly in accordance with the actual ruling in *Kessler*, and represents a conflict in the Circuits calling for this Court's action to correct the misinterpretation of the divergent line of cases cited above.



Since the Federal Circuit will now hear all patent cases, its erroneous view of *Kessler* will have continuing serious effects on future cases in which this issue arises.

### Conclusion

The Federal Circuit has given an unduly narrow reading of the Due Process Clause as limited to procedural fairness only, as distinguished from a substantive due process violation created by the arbitrary and sham decisions of the Michigan courts, and a clarification of this very important point raised in *Kremer* could be provided by granting the present petition.

The Federal Circuit in effect ignored the Michigan law of judgments in construing the preclusive effect to be here given the prior Michigan judgments; instead, applying federal law.

At the very least, this case should be remanded for a determination by the District Court of the effect to be given under Michigan law to the judgments at issue.

Finally, the Federal Circuit's view of *Kessler v. Eldred* is erroneous and needs correction since a misinterpretation of *Kessler v. Eldred* will be perpetuated in all future patent cases.

The present petition for a writ of certiorari is therefore urged to be worthy of this Court's attention.

Respectfully submitted,

JOHN R. BENEFIEL  
360 Birmingham Place  
401 South Woodward Avenue  
Birmingham, Michigan 48011-1621  
Telephone: (313) 644-1455

*Attorney for Petitioner*







APPENDIX A

Opinion of the Michigan Circuit Court

[1]

STATE OF MICHIGAN

IN THE CIRCUIT COURT

FOR THE COUNTY OF OAKLAND

---

Case No. 81-221555-CK

---

MGA, INC.,

*Plaintiff,*

v

LaSALLE MACHINE TOOL, INC.,

*Defendant and Counter-Plaintiff,*

v

PETER J. MANETTA,

*Third-Party Defendant.*

---

OPINION

This suit was heard by the Court on the limited issue of whether or not Defendant breached an agreement to pay Plaintiff certain royalties on accumulating conveyors.

Each side presented three witnesses, many exhibits, models and other aids to the Court. The matter was well briefed and presented to the Court. At the conclusion of the trial each side presented its proposed findings of fact



*Appendix A—Opinion of the Michigan Circuit Court.*

and conclusions of law. Everything presented has been reviewed and considered by the Court in deciding this matter.

The Court makes the following findings:

1. Plaintiff, MGA, Inc., and Defendant, LaSalle Machine Tool, Inc., are both Michigan corporations.

2. MGA holds title to several U.S. Patents which relate to "accumulators" used to transfer parts in machine shops.

3. That MGA and Defendant LaSalle entered into a license agreement, effective January 1, 1979, which agreement is the subject of this lawsuit.

4. Under the terms of the license agreement Defendant was to report sales and pay Plaintiff a royalty for "Licensed [2] Products" made and sold by Defendant.

5. That Defendant LaSalle desired "to get out of royalties and to become more competitive" and they designed and obtained patents on several accumulators. U.S. Patent 4,323,152; 4,349,099; 4,399,907.

6. Plaintiff MGA accuses each of Defendant's accumulator designs as being covered by at least Claims 13 and 31 of Plaintiff's '656 patent.

That all these accumulator conveyors, both Plaintiff's and Defendant's, advance workpieces through a series of stations and all have the following components: sensors at all stations, feed dogs at all stations, and an accumulating mechanism between the sensors and the feed dogs which function to actuate all feed dogs to the rear of an empty station.



*Appendix A—Opinion of the Michigan Circuit Court.*

8. That there were other patents (Caretto and Milazzo) prior to either Plaintiff's or Defendant's which contained all of the elements of an accumulator conveyor listed in Paragraph 7 above.

9. That the Defendant's conveyors use a chain and the Plaintiff's use end-to-end abutting bars.

10. That Defendant manufactures and sells conveyors '152, '099 and '907.

It is the Plaintiff's burden to establish the breach of the license agreement by a preponderance of the evidence and the Plaintiff is favored by the policy that patents are to be liberally construed in favor of the patentee.

Many theories were and much testimony was presented during the trial concerning combination claims, the prior art, the file wrapper, inventive skill, the doctrine of equivalence and others. The Court does not feel it is necessary to further comment on the evidence.

[3] However, the Court is of the opinion, after hearing the able presentation of the Plaintiff and viewing all the testimony in the light most favorable to the Plaintiff, that the necessary burden of proof imposed upon it has not been met. The Court does not feel that the conveyors sold by the Defendant are those covered by the license agreement and there has been no breach of the contract. A judgment of no cause of action shall be entered in favor of the Defendant.

ROBERT C. ANDERSON  
Robert C. Anderson, *Circuit Judge*  
Sixth Judicial Circuit Court

DATED: July 12, 1984  
Pontiac, Michigan



APPENDIX B

Decision of the Michigan Court of Appeals

[1]

STATE OF MICHIGAN  
COURT OF APPEALS

JAN 21 1986

No. 80604

Received  
JAN 22 1986

MGA, INC.,

*Plaintiff-Appellant,*

-vs-

LaSALLE MACHINE TOOL, INC.,

*Defendant-Appellee,  
Counter-Plaintiff,*

and

PETER J. MANETTA,

*Third-Party Defendant.*

BEFORE: V.J. Brennan, P.J.; Beasley and J.P.  
Noecker,\* JJ.

BEASLEY, J.

On April 14, 1981, plaintiff, MGA, Inc., filed a complaint against defendant, LaSalle Machine Tool, Inc., alleging that defendant had violated a "patent license

\* Circuit Judge, sitting on Court of Appeals by assignment.



*Appendix B—Decision of the Michigan  
Court of Appeals.*

agreement" by not paying royalties to plaintiff for sales of machines covered by the license agreement. Plaintiff sought damages for the unpaid royalties and an injunction to enforce the license agreement in the future. On July 12, 1984, subsequent to a four day bench trial, the trial judge issued a written opinion finding that plaintiff had failed to prove by a preponderance of the evidence that the machines sold by defendant were covered by the license agreement. On September 14, 1984, the trial judge entered a judgment of no cause of action.

The parties, both at trial and on appeal, argue that the determination of whether defendant has breached the license agreement rests on an interpretation of plaintiff's patent number 3,570,656. Since this case extensively involves federal patent law issues, we must initially determine if the state courts have jurisdiction over this matter.

[2] Jurisdiction over claims "arising under" the patent laws is exclusively vested in the federal courts.<sup>1</sup> However, not all claims involving the patent laws "arise under" the patent law. In *A & C Engineering Co. v. Atherholt*,<sup>2</sup> the Michigan Supreme Court summarized this distinction as follows:

"\* \* \* the correct rule is that if the plaintiff founds his suit directly on a breach of some right created by the patent laws, he makes a case arising under those laws and only a Federal court has jurisdiction; but if he founds his suit on some right vested in him by the common law, or by general equity jurisprudence, he makes a case arising under State law and only a State court has jurisdiction."



*Appendix B—Decision of the Michigan  
Court of Appeals.*

In determining whether plaintiff founds his suit directly on federal patent laws or on state common law, a court must look to the pleadings, specifically the relief sought.<sup>3</sup> In reviewing the pleadings in this case, plaintiff seeks damages and an injunction only for royalties related to the licensing agreement. Plaintiff's claim is based on the licensing agreement and rights created by state contract law. Therefore, plaintiff's claim does not "arise under" federal patent law, and the state courts have jurisdiction in this matter.

The trial judge set out his findings of fact in his opinion. Initially, he described the background facts of the case, and noted that the parties had entered a "patent licensing agreement" effective January 1, 1979. Under the agreement, defendant was to report sales of "conveyor accumulator devices" covered by the patent involved in the license agreement and pay a royalty to plaintiff. After operating under the license agreement for a period, defendant desired to avoid the royalty payments and become more competitive. Defendant designed and obtained patents on its own conveyor accumulator devices and then sold these newly developed accumulator devices without paying royalties to plaintiff.

After setting out these background facts, the trial judge noted that the specific issue at trial was whether defendant's accumulators (the "accused machines") were covered by paragraphs 13 and 31 ("claims" in patent law terminology) [3] of plaintiff's patent in the licensing agreement. The trial court then noted the common design of conveyor accumulator devices and that this basic design had been patented prior to both plaintiff's and defendant's patents. The trial court further noted



*Appendix B—Decision of the Michigan  
Court of Appeals.*

that defendant's accumulators use a chain device to function, whereas plaintiff's accumulators, under its patent, use end-to-end abutting bars.

Upon making these findings, the trial judge concluded that the accumulators sold by defendant were not covered by the license agreement. To reach this conclusion, the trial judge implicitly found that defendant's accumulators were not covered by claims 13 and 31 in plaintiff's patent. Thus, the trial judge found that defendant did not breach the license agreement in selling its accumulators without paying royalties to plaintiff.

The issue of construing patent claims is somewhat novel to this court, but the parties agree that the state courts must apply patent law decisions of the federal courts in addressing patent construction issues.<sup>4</sup> The guidance of the federal court decisions is necessary for a proper determination of the issues involved in this case. Thus, our analysis follows that of the federal decisions.

In general, there are two separate methods of analysis for determining whether the claims of a patent cover a certain device. The first method of analysis is termed "literal infringement". The second method of analysis is termed "the doctrine of equivalents" and is often used when literal infringement is absent.<sup>5</sup> We will apply the "literal infringement" analysis first, since our disposition under that analysis also disposes of "the doctrine of equivalents" analysis.



*Appendix B—Decision of the Michigan  
Court of Appeals.*

“Literal infringement” may be found if the accused device falls within the scope of the language of the asserted claims as properly interpreted.<sup>6</sup> Thus, the asserted claims must be compared with the product accused of infringement.<sup>7</sup>

[4] A court’s comparison of the accused machines to the patent claims is broken down into two steps. First, the court must define the scope of the claims. This construction of the claims is a question of law if the language of the claims is not disputed (as in this case).<sup>8</sup> Second, the trier of fact must decide whether the claims, as constructed in law, cover the accused machine. This involves an issue of fact.<sup>9</sup>

In the within case, the function and components of defendant’s machines are not in dispute. An accumulator is a device which operates within a conveyor system. A conveyor transports parts from one area to another. In many factory conveyor systems—it is important not to have lags or gaps when parts are missing from their positions on the conveyor. Thus, if a part is removed or falls off, a method is needed to fill in the spot of the removed or lost part. Accumulators serve this role by pushing forward the parts behind the gap, thus filling the gap. Every type of accumulator uses a “sensor” to find gaps along the conveyor. Once a gap is found, a “mechanism” is used to raise a “moving component” that pushes forward the parts behind the gap. The difference in accumulators is based on the various “mechanisms” used to activate the appropriate moving components. The earliest accumulators (before both plaintiff’s and defendant’s) used a hydraulic mechanism, which was often unreliable. Plaintiff’s accumulator was



*Appendix B—Decision of the Michigan  
Court of Appeals.*

the first to use a simple mechanical mechanism of "end-to-end bars". The parties agree that defendant's accumulator uses a simple mechanical mechanism of "chains and pivoting levers". Thus, the second issue involving the factual determination of the nature of the accused machine is not seriously in dispute.

The crucial step in this case is defining the scope of the undisputed language of the claims in plaintiff's patent as a matter of law. This is the issue the trial court and the parties focused on in four days of trial. Plaintiff asserted that claims 13 and 31 of its patent cover defendant's chain and pivoting lever accumulators. Defendant, and the trial court, interpreted the language of those claims to not cover defendant's accumulators.

[5] Claim 13 includes the following devices:

"13. An accumulating feed system comprising a longitudinally arranged series of work supporting stations including a starting station at which workpieces are deposited serially, a delivery station from which workpieces are removed serially, and a plurality of intermediate stations through which workpieces are advanced intermittently and from which individual workpieces may be removed, sensing means associated with said stations to determine empty stations, feed means associated with each station except the discharge station operable to advance a workpiece from its station to the next successive station, and control means responsive to the sensing of the absence of a workpiece at the delivery or any intermediate station to activate the feed means of every station in rear of the empty station to simultaneously advance a workpiece to the next successive station, said control means comprising a series of individual



*Appendix B—Decision of the Michigan  
Court of Appeals.*

separately movable elements, all of said elements being movable relative to a support in the same sense, and *abutment means* acting between said elements effective to ensure identical movement of all elements located in one direction from a particular element upon movement of such particular element, while the elements located in the opposite direction are not moved." (Emphasis added.)

Claim 31 includes the following devices:

"31. An accumulating feed system comprising a series of work support stations including a starting station at which workpieces are deposited serially, a delivery station from which workpieces are removed serially, and a plurality of uniformly spaced intermediate stations between which workpieces are advanced intermittently, movable rigid sensing elements associated with said stations each having two positions corresponding to the presence or absence of a workpiece at the associated station and including an actuating portion movable between idle and actuating positions upon movement of said element, a transfer slide movable along said series of stations, means for reciprocating said slide in forward feeding and reverse strokes, a work transfer device for each station except the delivery station, and operable when activated to be moved by said transfer slide on forward feeding movement thereof to transfer a workpiece from its associated station to the station next ahead thereof, and means for controlling activation of said work transfer devices in accordance with the positions of said sensing means comprising a series of members disposed along said series of stations at intervals substantially equal to the spacing between said stations, said members being supported for *like back and forth movement* of the same sense between



*Appendix B—Decision of the Michigan  
Court of Appeals.*

limiting positions which determine activation or nonactivation of the associated work transfer device, each of said members being independently and selectively movable between said limiting positions as a consequence of the position of the sensing element, each intermediate one of said members having one way engagement with one of the next adjacent members to effect movement thereof in the same sense as movement of said one intermediate member when said one intermediate member and said one next adjacent member occupy like positions prior to such movement, and having one way engagement with the other of the next adjacent members to effect movement thereof upon movement of said one intermediate member in the opposite sense when said one intermediate member and said other next adjacent member occupy like positions prior to such last mentioned movement." (Emphasis added.)

It is apparent from the trial record and the trial court's findings that the focus of interpretation for claim 13 was the phrase "abutment means", and for claim 31 was [6] the phrase "like back and forth movement". Plaintiff claimed that defendant's use of a chain and pivoting levers in its accumulators constituted "abutment means" and "back and forth movement" like the end-to-end abutting bars in plaintiff's design. The trial judge rejected this interpretation based on the evidence presented at trial.

In reviewing the trial judge's determination of this overall question of law, we first note that a recent federal decision states:

"But when the meaning of a term in the claim is disputed and extrinsic evidence is necessary to explain that term, then an underlying factual



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Court of Appeals.*

questions [sic] arises, and construction of the claim should be left to the trier or jury under appropriate instruction." *P.M. Palumbo, supra*, at p 974.

Extrinsic evidence was required to explain the terms in claims 13 and 31. Thus, we review the trial judge's interpretation of the terms in the claims as an issue of fact. Under the applicable standard of review, we conclude that the trial judge's determination that defendant's accumulators do not fall within the terms of claims 13 and 31 of plaintiff's patent is not clearly erroneous.

The trial court heard testimony from witnesses trained in the field of patent law and accumulator design that defendant's accumulator design did not use "abutment means" or "back and forth" motion like plaintiff's accumulator design. In addition, it was revealed that the basic accumulator design using a hydraulic design instead of end-to-end bars or a chain was patented prior to either plaintiff's or defendant's patent. The history of plaintiff's patent revealed that when plaintiff applied for its patent, it was required to change the broad language of its claims to obtain approval. The reason for this change was so the claims in plaintiff's patent would not encompass the basic accumulator design already patented with a hydraulic mechanism. Thus, the patentable difference in plaintiff's design was solely attributable to its abutment means, end-to-end bar mechanism in the accumulator. Specific language covering hydraulic and flexible mechanisms (such as chains) was withdrawn from plaintiff's patent application.



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Court of Appeals.*

[7] The use of this evidence in interpreting the terms of the claims such as “abutment means” and “like back and forth motion” is clearly correct. In construing claims, a number of factors may be considered, including the language of the claim, the patent specification (end-to-end bars), the prosecution history of the patent (the file wrapper), other claims in the patent, and expert testimony.<sup>10</sup> In light of the evidence revealed at trial, the trial court’s factual determination that defendant’s chain mechanism accumulator was not covered by the terms of claims 13 and 31 in plaintiff’s patent was not clearly erroneous.

This conclusion is supported by the distinction drawn between two recent federal court patent cases. In both cases, the court was determining the scope of “means” language (such as “abutment means”) as a matter of law. Initially, the court noted that in interpreting “means” language in a patent claim, the issue of equivalency must be addressed under “literal infringement” analysis due to 35 USC §112, which provides:

“An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material or acts described in the specification and *equivalents thereof*. [Emphasis added.]”

The test for equivalency is whether the allegedly infringing device employs substantially the same means to accomplish substantially the same result in substantially the same way.<sup>11</sup>



*Appendix B—Decision of the Michigan  
Court of Appeals.*

In the first case of *Hale Fire Pump Co. v. Tokai, Ltd.*,<sup>12</sup> the court found that the prosecution history established that the claim involved was allowed by the United States Patent Department because the specific jackscrew mechanism of "releasable means" had an advantage in disassembling a pump absent in the prior basic design of two-part pumps. Based on this finding, the court limited the term "releasable means" to a jackscrew mechanism and held that the accused handle mechanism was not equivalent.

[8] The second case of *D.M.I., Inc. v. Deere & Co.*,<sup>13</sup> distinguished the *Hale Fire Pump Co.* decision by noting that the claims in that case were not allowed by the patent examiner solely because of the parallelogram mechanism used in obtaining "compensating means". The scope of that claim was held to go beyond the specific parallelogram mechanism used by the patentor. Thus, the lower court was required to make factual findings on whether the accused machines that used a different mechanism than the parallelogram were covered by the claim.

The within case is more closely analogous to the *Hale Fire Pump Co.* situation, since the patent office allowed plaintiff's patent because of the end-to-end bar mechanism of "abutment means". Thus, as a matter of law, the term "abutment means" is properly interpreted as, and limited to, the end-to-end bar mechanism.

Upon this interpretation of "abutment means" as a matter of law, the only question remaining is whether defendant's chain mechanism is equivalent to plaintiff's end-to-end bar mechanism. This determination is necessary since, as the trial court properly found, the



*Appendix B—Decision of the Michigan  
Court of Appeals.*

chain mechanism is not literally the same as the end-to-end bar mechanism. Initially, it should be noted that the determination of equivalency is an issue of fact for the trial court.<sup>14</sup> However, in this case, the trial court was not required to, and properly did not, address the issue of equivalency. Based on the prosecution history of plaintiff's patent as noted above, it is clear that the doctrine of "file wrapper estoppel" applies in this case. This doctrine states:

"\* \* \* if, during the prosecution of a patent application, an applicant has amended the claims or has made representations or arguments limiting or narrowing the scope of the claims in order to obtain the allowance of the claims over the prior art by the patent examiner, then the applicant is estopped from subsequently trying to expand the scope of the claims beyond those amendments, representation, or arguments."<sup>15</sup>

Since plaintiff had to limit its patent claims to "end-to-end bars" and "abutment means" to obtain approval, it cannot now expand the patent claims to cover "chains" and [9] "flexible means". Plaintiff is, thus, estopped from claiming defendant's chain mechanism is equivalent to its end-to-end bar mechanism or "abutment means".

In light of this estoppel of defendant's equivalency argument, the trial court properly excluded as irrelevant, testimony concerning equivalency. In summary, the trial court's interpretation of "abutment means" and "like back and forth movement" as limited to end-to-end bar mechanisms was not clearly erroneous. In addition, the trial judge was not required to address the equivalency issue under either the "literal infringement" analysis or



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Court of Appeals.*

"the doctrine of equivalents" analysis due to the doctrine of file wrapper estoppel. The trial judge properly limited his decision to a literal application of claims 13 and 31 of plaintiff's patent. Based on his proper interpretation of the terms of claims 13 and 31, he correctly concluded that defendant's accumulators were not covered by plaintiff's patent and the patent "license agreement" between the parties.

Since defendant's accumulator sales were not covered by the "license agreement", there was no breach when defendant did not pay royalties to plaintiff.

Plaintiff's claims that the trial judge, in making his decision, erroneously relied on the fact that defendant obtained patents on its accumulators, erroneously used claim 32 to limit claim 31, and erroneously took into account defendant's motives, are not supported by a reading of the trial judge's opinion. Consequently, the trial court's judgment of no cause of action was proper.

AFFIRMED.

/s/ William R. Beasley

/s/ Vincent J. Brennan

/s/ James P. Noecker



*Appendix B—Decision of the Michigan  
Court of Appeals.*

[10] \_\_\_\_\_

<sup>1</sup> 28 USC, §1338(a).

<sup>2</sup> 355 Mich 677, 681; 95 NW2d 871 (1959).

<sup>3</sup> *Air Products and Chemicals, Inc. v. Reichhold Chemicals, Inc.*, 755 F2d 1559 (Fed Cir, 1985).

<sup>4</sup> See *Consolidated Kenetics Corp. v. Marshall, Neil, Inc.*, 11 Wash App 173; 521 P2d 1209 (1975).

<sup>5</sup> *P.M. Palumbo v. DonJoy Co.*, 762 F2d 969 (Fed Cir, 1985).

<sup>6</sup> *Envirotech Corp. v. Al George, Inc.*, 730 F2d 753 (Fed Cir, 1984).

<sup>7</sup> *Amstar Corp. v. Envirotech Corp.*, 730 F2d 1476 (Fed Cir, 1984), *cert den* US ; 105 S Ct 306; 83 L Ed 2d 240 (1984).

<sup>8</sup> *McGill, Inc. v. John Zink Co.*, 736 F2d 666 (Fed Cir, 1984), *cert den* US ; 105 S Ct 514; 83 L Ed 2d 404 (1984).

<sup>9</sup> *Palumbo, supra*.

<sup>10</sup> *Id.*

<sup>11</sup> *Graver Tank & Mfg. Co. v. Linde Air Co.*, 339 US 605; 70 S Ct 854; 94 L Ed 2d 1097 (1950).

<sup>12</sup> 614 F2d 1278 (US CPA, 1980).

<sup>13</sup> 755 F2d 1572 (Fed Cir, 1985).

<sup>14</sup> *D.M.I., Inc., supra*.

<sup>15</sup> *Hale Fire Pump Co., supra*, at p 1282; 2 P.R. Rosenberg, *Patent Law Fundamentals*, §17.02(2) (Rev. 1985).



**APPENDIX C**

**Opinion of the Michigan Supreme Court**

**MGA, INC., Plaintiff-Appellant, v.  
LaSALLE MACHINE TOOL, INC., Defendant-  
Appellee, Third-Party Plaintiff, and  
PETER J. MANETTA, Third-Party Defendant.**

**No. 78638**

**Supreme Court of Michigan**

**Slip Opinion**

**October 27, 1986**

On order of the Court, the application for leave to appeal is considered, and it is **DENIED**, because we are not persuaded that the questions presented should be reviewed by this Court.

**G. MENNEN WILLIAMS, Chief Justice; CHARLES L. LEVIN; JAMES H. BRICKLEY; MICHAEL F. CAVANAGH; PATRICIA J. BOYLE; DOROTHY COMSTOCK RILEY; DENNIS W. ARCHER, Associate Justices.**



APPENDIX D

Memorandum Decision of the United States  
District Court for the Eastern  
District of Michigan  
(Pages 1 and 9 Only)

[-1-]

IN THE  
UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

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Civil Action No. 83CV2642DT  
Hon. Philip Pratt, Chief Judge

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MGA, INC.,

*Plaintiff,*

v.

GENERAL MOTORS CORPORATION,  
and LASALLE MACHINE TOOL, INC.,

*Defendants.*

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MEMORANDUM OPINION AND ORDER

This is a patent infringement action, in which MGA, Inc. alleges that General Motors (G.M.) has and is infringing various patents involving transfer equipment used on mass production lines. In August of 1985 this court denied without prejudice several motions for summary judgment filed by G.M., primarily on the ground that the court had not been provided with sufficient facts to render a reasoned decision. On January 28, 1985, Magistrate Carlson entered an order



*Appendix D—Memorandum Decision of the United  
States District Court for the Eastern  
District of Michigan.*

/ granting LaSalle Machine Tool, Inc., the company which manufactured and supplied the disputed machinery to G.M., leave to intervene in this case pursuant to F.R.Civ. P. 24(b). Before the court is LaSalle's motion for summary judgment.<sup>1</sup>

\* \* \*

[9-] The parties have extensively briefed the preclusive effect of the state court judgment on the claims concerning the post-1978 machinery. The court believes that this particular debate is better resolved by resorting to logic rather than doctrine. If the machinery sold by LaSalle to G.M. is covered by one of the patents at issue, it is also covered by the LaSalle-MGA license, and G.M. is protected. If the post-1978 machinery is not covered by the license, then it also cannot be violative of the patents at issue, and G.M. remains protected. In sum, the post-1978 machinery cannot both be outside of the licensing agreement and be infringing on the disputed patents.

The defendant's motion for summary judgment is granted.

IT IS SO ORDERED.

PHILIP PRATT  
Philip Pratt, Chief Judge  
United States District Court

Dated: SEP 8 1\_\_\_\_\_

(Stamp Illegible)



APPENDIX E

Decision of the United States Court of  
Appeals for the Federal Circuit

[1-1] UNITED STATES COURT OF APPEALS  
for the Federal Circuit

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87-1015

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MGA, INC.,

*Plaintiff-Appellant,*

vs.

GENERAL MOTORS CORPORATION and  
LASALLE MACHINE TOOL, INC.,

*Defendants-Appellees.*

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DECIDED: August 13, 1987

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Before BISSELL, *Circuit Judge*, BALDWIN, *Senior  
Circuit Judge*, and ARCHER, *Circuit Judge*.

BISSELL, *Circuit Judge*.

MGA, Inc. (MGA) appeals from the judgment of the District Court for the Eastern District of Michigan, Docket No. 83CV2642DT, dismissing MGA's patent infringement suit against General Motors Corporation (GM). We affirm the judgment of the district court.



*Appendix E—Decision of the United States Court  
of Appeals for the Federal Circuit.*

BACKGROUND

In 1979, MGA and LaSalle Tool executed an agreement, effective January 1, 1979, which included a paid-up license and release under United States Patent No. 3,570,656 ('656) for accumulator conveyor machines sold to purchasers including GM, and shipped by LaSalle Tool prior to 1979 and a license, at a specified royalty, for machines sold after 1978. Thereafter, LaSalle Tool developed, manufactured and sold newly designed accumulator conveyor machines (accused machines). It did not report or pay royalties to MGA on these sales because it [-2-] regarded the accused machines as being outside the scope of the license under the '656 patent.

On April 14, 1981, MGA sued LaSalle Tool in the Oakland County Circuit Court, State of Michigan, for nonpayment of royalties due under the license agreement on post-1978 sales of the accused machines. After a four-day bench trial, the circuit court held that the accused machines were not covered by the license agreement and entered a final judgment of no cause of action on December 3, 1984. MGA appealed this final judgment to the Michigan Court of Appeals, which upheld the trial court's judgment in an opinion dated January 21, 1986, noting that the trial judge had implicitly found that the accused machines were not covered by the relevant claims of MGA's '656 patent. *MGA, Inc. v. LaSalle Machine Tool, Inc.*, 148 Mich. App. 350, 384 N.W.2d 159 (1986). MGA filed for leave to appeal to the Michigan Supreme Court and leave was denied.

Meanwhile, on July 5, 1983, MGA filed a patent infringement action against GM asserting infringement of the '656 patent by GM's use of the accused machines



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of Appeals for the Federal Circuit.*

sold to it by LaSalle Tool. LaSalle Tool, a defendant-intervenor in this suit, moved for summary judgment on the basis that as to the pre-1979 machines, MGA's release of LaSalle Tool also acted as a release of GM as a purchaser of those machines. With regard to the accused machines, LaSalle Tool asserted that either the machines were covered by the license agreement, or the Michigan judgment precluded relitigation of the issue of whether the accused machines were covered by the patents in suit by operation of [-3-] res judicata, collateral estoppel, or the *Kessler* doctrine, as announced in *Kessler v. Eldred*, 206 U.S. 285 (1907). MGA admits that the accused machines in this patent infringement suit are the same as the accused machines for which it sought license royalties in the circuit court. The district court granted LaSalle Tool's motion for summary judgment, holding that the state court judgment precluded relitigation of the issue of whether the accused machines infringed the claims of the patent in suit.

### ISSUE

Did the district court, in a patent infringement suit against the user of the accused machines, err in giving preclusive effect to a state court judgment, which held that the accused machines were outside the scope of the patent license agreement?



*Appendix E—Decision of the United States Court  
of Appeals for the Federal Circuit.*

OPINION

On appeal, MGA argues that the district court erred in giving the state court judgment preclusive effect because (1) the state court judgment was constitutionally infirm, (2) it would be unfair due to the conduct of the state court litigation, (3) the district court did not follow Michigan law on *res judicata*, and (4) the *Kessler* doctrine does not apply to the facts in this case.

I. Collateral Attack

MGA urges this court to review the decisions of the Michigan courts and conclude that the circuit court acted in a completely arbitrary manner and that the appellate court, in [4-] affirming the circuit court, made a puzzling, transparent, and strained attempt to clothe the circuit court decision with a reasonable legal basis. These contentions do not support a constitutional challenge to the state court proceedings. MGA merely disagrees with the Michigan courts' application of federal law. MGA's avenue to redress any legal errors committed in these decisions was to appeal, as it did, to each available level in the Michigan court system. It is inappropriate to collaterally attack the Michigan judgment in federal district court in an attempt to avoid, defeat or evade the judgment thus denying it force and effect. *See Miller v. Meinhard-Commercial Corp.*, 462 F.2d 358, 360 (5th Cir. 1972) (Although the second suit "has an independent purpose and contemplates some other relief, it is a collateral attack if it must in some fashion overrule a previous judgment."); *see also Southern Pac. Transp. Co. v. Pub. Util. Comm'n of California*, 716 F.2d 1285, 1290 (9th Cir. 1983), *cert. denied*, 466 U.S. 936 (1984) (proper



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of Appeals for the Federal Circuit.*

avenue of review of state court interpretation of federal law is to appeal to the United States Supreme Court, not to file new claim in federal court); *cf. Underwriters Nat'l Assurance Co. v. North Carolina Life & Accident & Health Ins. Guar. Assn.*, 455 U.S. 691, 714 (1982) (erroneous or not, the proper avenue is to appeal from the judgment, not to seek collateral review); *Rollins v. Dwyer*, 666 F.2d 141, 148 (5th Cir. 1982) ("Under res judicata principles, we do not review state court judgments for error; we look only to finality."). [-5-] Accordingly, we find MGA's constitutional arguments addressing the Michigan judgment without merit.

## II. Prior Judgment

The doctrines of res judicata (claim preclusion) and collateral estoppel (issue preclusion) "relieve parties of the cost and vexation of multiple lawsuits, conserve judicial resources, and, by preventing inconsistent decisions, encourage reliance on adjudication." *Allen v. McCurry*, 449 U.S. 90, 94 (1980); *see also Young Engineers, Inc. v. ITC*, 721 F.2d 1305, 219 USPQ 1142 (Fed. Cir. 1983) (res judicata); *A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700, 218 USPQ 965 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 1042 (1984) (collateral estoppel). That federal courts are to afford full faith and credit to judgments reached in state court proceedings, *see* U.S. Const., art. IV, §1, is clearly expressed in section 1738, paragraph 2 of Title 28 of the United States Code:

The records and judicial proceedings of any court of any such State, Territory or Possession, or copies thereof, shall be proved or admitted in other courts



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of Appeals for the Federal Circuit.*

within the United States and its Territories and Possessions by the attestation of the clerk and seal of the court annexed, if a seal exists, together with a certificate of a judge of the court that the said attestation is in proper form.

Such Acts, records and judicial proceedings or copies thereof, so authenticated, shall have the same full faith and credit in every court within the United States and its Territories and Possessions as they have by law or usage in the courts of such State, Territory or Possession from which they are taken.

28 U.S.C. §1738 (1982).

[6-] The full faith and credit statute does not permit federal courts to employ their own rules of *res judicata* in determining the effects of state judgments. Rather, a federal court is to accept the rules chosen by the state in which the judgment is rendered. This remains true even though that judgment turned on construction of subject matter within the exclusive jurisdiction of the federal courts. *Marrese v. American Academy of Orthopaedic Surgeons*, 470 U.S. 373, 380 (1985); *Kremer v. Chemical Constr. Corp.*, 456 U.S. 461, 481-82 (1982); *see also Syntex Ophthalmics, Inc. v. Novicky*, 767 F.2d 901, 902, 226 USPQ 952, 953 (Fed. Cir.), *cert. denied*, 106 S. Ct. 1463 (1986); *Graybill v. United States Postal Serv.*, 782 F.2d 1567, 1571 (Fed. Cir. 1986).

*Kremer* does not require that before a state can grant preclusive effect to its own judgment, applicable requirements of the Due Process Clause must have been satisfied. *Kremer*, 456 U.S. at 482. This judicial safeguard does not preclude the district court's reliance on the Michigan litigation here. MGA does not assert that it lacked a full and fair opportunity to present its



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of Appeals for the Federal Circuit.*

case to the state court. Rather, MGA takes umbrage with the state courts' analysis of the law of infringement, the applicability of the doctrine of equivalents, and of prosecution history estoppel and asserts that the decision reveals "a violation of substantive due process because of its arbitrary and capricious nature."

Although the state courts' opinions may be less than ideal discussions of patent law, the dispute presented by the parties [-7-] was resolved. The result need not be the result that a second court would reach to invoke principles of res judicata. Finality, not correctness is the key. See Restatement (Second) of Judgments §§13, 29 (1982). MGA's allegations do not amount to a claim that the forum of MGA's choosing failed to provide it an opportunity to present its best case. " 'The very nature of due process negates any concept of inflexible procedures universally applicable to every imaginable situation.' " *Kremer*, 456 U.S. at 483 (quoting *Mitchell v. W.T. Grant Co.*, 416 U.S. 600, 610 (1961)). MGA does not allege that it was denied an opportunity to present any theory of its case, submit exhibits, offer testimony, or to rebut evidence submitted by the other party. Thus the alleged errors in analysis do not rise to the level of a denial of procedural or substantive due process.

MGA admits that the Michigan state court litigation involved the issue of whether the '656 patent covered the accused machines and resolved that issue adversely to it. However, MGA contends correctly that under *Marrese v. American Academy of Orthopaedic Surgeons*, the application of issue preclusion arising from a Michigan state court judgment is controlled by Michigan law and contends that, under Michigan law, mutuality between



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of Appeals for the Federal Circuit.*

parties to litigation continues to be required for any preclusive effect to be given a prior judgment. Thus, MGA argues, it is not collaterally estopped from relitigating the issue of infringement against GM. Since there is no Michigan state court case involving a similar [-8-] factual pattern, we must extrapolate from the existing Michigan preclusion principles to determine what preclusive effect the prior judgment against MGA would be given in a Michigan state court. *Marrese*, 470 U.S. at 381-82.

Although not abrogating the requirement of mutuality—both the litigants in the subsequent action must be similarly bound by the judgment in the prior action or it binds neither—in the application of collateral estoppel, the Michigan Supreme Court has acknowledged that there are well recognized exceptions to the mutuality rule which, in effect, produce the same result as unilateral estoppel or nonmutuality. *Howell v. Vito's Trucking and Excavating Co.*, 386 Mich. 37, 191 N.W.2d 313, 317-18 n.7 (1971) Michigan courts recognize that “where the liability of the defendant is entirely dependent upon the culpability of one exonerated in a prior suit” an exception to the requirement of mutuality exists, *De Polo v. Greig*, 338 Mich. 703, 62 N.W.2d 441, 444 (1954), and that “the recognized exceptions are confined to defensive pleading of collateral estoppel by only a certain class of defendants in special situations.” *Howell*, 191 N.W.2d at 317-18 (court must strike a balance between the interest of the litigant against whom preclusion is asserted and repetitious and needless litigation which burdens court dockets). The fact that the estoppel is asserted defensively is a significant fact,



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of Appeals for the Federal Circuit.*

under Michigan law, in determining whether collateral estoppel should or should not apply. *Id.* In this case, GM is pleading collateral estoppel defensively.

[9] *Kessler v. Eldred*, 206 U.S. 285 (1907), was handed down by the United States Supreme Court in the heyday of the federal mutuality of estoppel rule. See *Blonder-Tongue Laboratories, Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 320-27 (1971) overruling *Triplett v. Lowell*, 297 U.S. 638, 642 (1936). Whether the principle espoused by this case, which came to be known as the *Kessler* doctrine, is a matter of substantive federal patent law, or whether it is a long recognized exception to the mutuality of estoppel rule, we need not, and do not decide. Whichever it is, we discern from a review of the law of the state of Michigan, that its courts would apply the *Kessler* doctrine, which in its effect may be compared to defensive collateral estoppel, to give preclusive effect to the issue of noninfringement of the '656 patent by the accused machines. See *Braxton v. Litchalk*, 55 Mich. App. 708, 223 N.W.2d 316, 320 (Ct. App. 1974) (court must determine whether the one against whom collateral estoppel is asserted had a fair opportunity to litigate the issue in the previous suit).

*Kessler's* facts are analogous to those of this case. Eldred sued Kessler for infringement of Eldred's patent on an electric cigar lighter, but, after a full hearing, the trial court held that Kessler's lighter did not infringe. Kessler then sold his lighters to one Breitwieser, whereupon Eldred sued Breitwieser for infringing use of his patented lighter. Distraught at the prospect of Eldred's harassment of his customers, Kessler sought



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and obtained an injunction against Eldred, prohibiting suits against Kessler's customers. The [-10-] Supreme Court recognized that, due to the mutuality rule, Kessler's customer, Breitwieser, could not assert the prior judgment of noninfringement as a defense to Eldred's infringement action, since he had not been a party to the first action and was not, therefore, mutually bound by it. The court held:

On the issue thus joined there was final judgment for Kessler. This judgment, whether it proceeds upon good reasons or upon bad reasons, whether it was right or wrong, settled finally and everywhere, and so far as Eldred, by virtue of his ownership of the Chambers patent, was concerned, that Kessler had the right to manufacture, use and sell the electric cigar lighter before the court. The court, having before it the respective rights and duties on the matter in question of the parties to the litigation, conclusively decreed the right of Kessler to manufacture and sell his manufactures free from all interference from Eldred by virtue of the Chambers patent, and the corresponding duty of Eldred to recognize and yield to that right everywhere and always. . . . Whether the judgment between Kessler and Eldred is a bar to the suit of *Eldred v. Breitwieser*, either because Breitwieser was privy to the original judgment, or because the articles themselves were by that judgment freed from the control of that patent, we deem it unnecessary to inquire. . . . But the question here is whether, by bringing a suit against one of Kessler's customers, Eldred has violated the right of Kessler. . . . [I]t is Kessler's right that those customers should, in respect of the articles before the court in the previous judgment, be let alone by Eldred, and it is Eldred's duty to let them alone. The judgment in the previous case fails of the full effect which the law attaches to it if this is not so. If rights between litigants are once



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of Appeals for the Federal Circuit.*

established by the final judgment of a court of competent jurisdiction those rights must be recognized in every way, and wherever the judgment is entitled to respect, by those who are bound by it.

206 U.S. at 288-89.

[11-] The *Kessler* doctrine bars a patent infringement action against a customer of a seller who has previously prevailed against the patentee because of invalidity or noninfringement of the patent; otherwise, the effect of the prior judgment would be virtually destroyed. In *Rubber Tire Wheel Co. v. Goodyear Tire and Rubber Co.*, 232 U.S. 413 (1914), the Court interpreted *Kessler* as granting a limited trade right which is "the right to have that which [a court has determined] it lawfully produces freely bought and sold without restraint or interference. It is a right which attaches to its product—to a particular thing—as an article of lawful commerce. . . ." *Id.* at 418-19 (1914). Since the accused machines here are admittedly the same in both suits, it is LaSalle Tool's right that the accused machines be freely traded without interference from MGA.

In this case, MGA selected its first defendant, first forum and first remedy. MGA had its day in court with a full trial on the merits of its case. MGA does not argue that there is newly discovered evidence that would likely lead the second court to a different determination, nor do we imply that this alone would be sufficient to change the result. Nor was MGA left without recourse to seek correction of any perceived errors committed by the state court. *Cf. Blonder-Tongue*, 402 at 328-50 (validity determination); *see also Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322 (1979). Hence, the judgment of the district court is affirmed.



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of Appeals for the Federal Circuit.*

[-12-]

III. Sanctions.

We now address LaSalle Tool's and GM's allegation that this appeal was frivolous and their request for damages and costs under Rule 38 of the Federal Rules of Appellate Procedure and 28 U.S.C. §§1912, 1927 (1982). Under these circumstances we do not grant such a request. After extensive briefing on the preclusive effect of the state court judgment, the district court "resolved [the question] by resorting to logic rather than doctrine." *MGA*, slip op. at 9. It was not a frivolous act for MGA to pursue the legal avenues available to it in order to obtain a decision with delineated legal reasoning. Furthermore, MGA did not present an argument without foundation; rather this court refused to adopt MGA's interpretation of the Michigan and federal case law on this debate. *Cf. Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1554, 220 USPQ 193, 203 (Fed. Cir. 1983) (noting that appeals "having a small chance of success are not for that reason alone frivolous").

*AFFIRMED*



